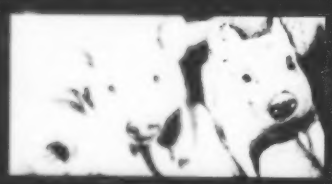
2000 ANNUAL REPORT



SASKATCHEWAN GOVERNMENT
GROWTH FUND
MANAGEMENT CORPORATION

SGGF MANAGEMENT CORPORATION

Creating economic wealth and diversification through investment of immigrant investor capital in Saskatchewan.

Mission Statement & Financial Highlights 1

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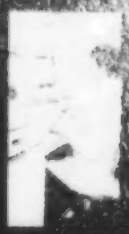
Points North Digital Technologies Inc. Clearwater Forest Products Inc.

101-04145

MISSION STATEMENT

The mission of Saskatchewan Government Growth Fund Management Corporation is to participate in the federal government's Immigrant Investor Program for the purpose of acquiring relatively low cost capital for investment in the Saskatchewan economy on commercial terms, thereby creating economic wealth and diversification, while also ensuring a return of capital and nominal investment income to the immigrant investor.



Bondar Inc.

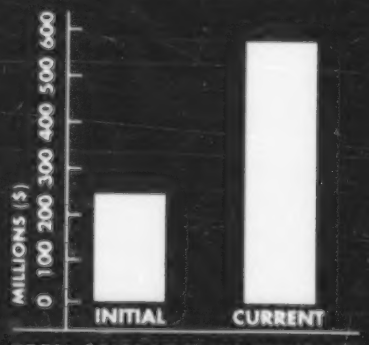
Upton Resources Inc.

John Nelson Construction Ltd.

FINANCIAL RESULTS

Since the inception of SGGF in 1989, the eight fund companies have raised more than $246 million of immigrant investor capital under the federal government's Immigrant Investor Program. Over $195 million of this capital has been invested in 59 eligible businesses. Results from each of the fund companies are:

- Since SGGF I redeemed the last of its 651 investors in 1998, it has been working towards divesting itself of its remaining investments. Two investments worth $11.4 million were written off during the year.
- In late 2000, liquidity problems in the investment portfolio forced SGGF II to reduce repayments to some investors and eventually suspend all others. Three investments were written off at a cost of $5.1 million.
- The priority for SGGF III in 2000 shifted to liquidation of its portfolio to provide the funds necessary for investor repayments.
- SGGF IV ended the year with an accumulated surplus of $1.8 million. A total of $7 million was invested in five eligible businesses during the year.
- During the year, SGGF V was in the investment growth stage and worked towards full investment of its capital. The accumulated surplus in the fund increased $400,000 to $1.3 million by year-end.
- SGGF VI, VII and VIII were launched in 1999 and continued to attract the full subscription amount from depositors to the fund. No investments were made by the funds.



TOTAL SALES LEVEL OF INVESTEES

LETTER OF TRANSMITTAL

Regina, Saskatchewan
March, 2001

Honourable Eldon Lautermilch
Minister Responsible

To Her Honour
The Honourable L.M. Haverstock
Lieutenant Governor of the
Province of Saskatchewan

Madam:

I have the honour to submit herewith the Annual Report of Saskatchewan Government Growth Fund Management Corporation for the year ended December 31, 2000, including the consolidated financial statements duly certified in the form approved by the Treasury Board, all in accordance with The Crown Corporations Act, 1993.

I have the honour to be,

Your obedient servant,

Honourable Eldon Lautermilch
Minister Responsible
Saskatchewan Government Growth Fund Management Corporation

Prairie Sulphate Corporation

Big Sky Farms Inc.

MESSAGE FROM THE BOARD AND MANAGEMENT

The Saskatchewan Government Growth Fund Management Corporation ("SGGF Management Corporation") ceased marketing investment units under the federal government's Immigrant Investor Program ("IIP") on March 31, 1999. SGGF had successfully marketed eight immigrant investor funds in the preceding ten-year period. More than 1,200 immigrant investors have subscribed for over $266 million.

At the end of 2000, there were 231 subscribers, representing $57.8 million, who have not forwarded their subscription amount. They represent applicants wanting to immigrate to Canada under the investor category who have not yet been granted an interview with the federal immigration authorities. Typically, subscribers forward their subscription amount immediately prior to their scheduled interview. Based on our experience so far, we expect subscription monies to flow into the several open funds over the next two years. We do not expect to receive all the outstanding subscriptions because some of the applicants will fail to qualify or will change their minds about immigrating.

SGGF Management Corporation has invested $195.5 million in 59 Saskatchewan businesses. In aggregate, these companies have increased their level of sales from $242 million to $572 million and have expanded their employment from 1,347 to 3,139. In addition, SGGF has invested over $39.5 million in infrastructure loans.

The funds were offered sequentially to the immigrant investor market and so each is at a different stage of its natural life cycle. The first fund, SGGF Ltd., has repaid all of its 651 immigrant investors and is in the process of liquidating its remaining investments. On the other hand, SGGF VI, SGGF VII and SGGF VIII are in their infancy and are continuing to receive new subscription capital from immigrant investors and pursuing new investment opportunities.

A number of the investee companies have experienced or are experiencing difficulties for a variety of reasons ranging from start-up problems, to low commodity prices, to a lack of working capital, to poor marketing performance. Where possible our investment managers attempt to work with management to help them overcome these difficulties. Sometimes we have been successful, sometimes we were not and the companies have failed. Where companies have failed or are experiencing financial hardship we will sometimes bring in new management with additional capital in an attempt to restructure the business in a successful manner.

SGGF II has not been able to repay all of its investors as their bonds matured. Several investments failed to produce the cash returns that were expected from their liquidation or wind-up. As a result, twelve investors received a partial payment of $150,000. The remaining 31 investors have not received any repayment so far.

Although SGGF invested $8.1 million in small and medium sized business and $16.6 million in infrastructure loans during the year, the pace of investment was not sufficient to meet the requirements of the IIP. As a result, a number of investors have not had 70% of their subscription amount invested in an eligible business within nine months. In order to now satisfy the minimum five-year holding period under the IIP, the maturity date on their notes will be extended by the number of necessary days. The board of directors of the fund companies has always insisted that making quality investment decisions was more important than meeting the timetable. However, they have undertaken to accelerate the pace of investment to eliminate the problem by June of 2002.

On October 1, 2000 SGGF Management Corporation and each of the fund companies entered into a contract with Crown Capital Partners Inc. ("CCP"), a wholly owned subsidiary of Crown Life. CCP will provide administrative and investment management services to each of the fund companies and SGGF Management Corporation. All the employees of SGGF Management Corporation joined CCP who, along with a number of investment personnel from Crown Life, will provide the services.

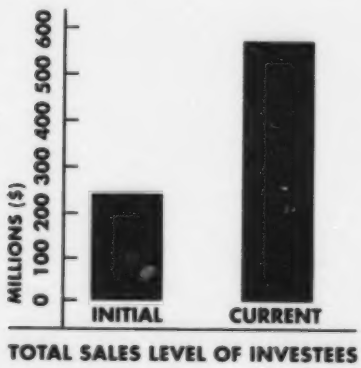
In January of 2001, the Honourable Janice MacKinnon and Frank Hart resigned from the SGGF Management Corporation Board of Directors and were replaced by Mr. Wilson Olive (Chair) and Mr. Larry Spannier (Vice-chair).

FarmGro Organic Foods Inc. TriNexus Holdings Ltd. Prairie Plant Systems Inc. Dutch Industries Ltd. Master Manufacturing

MANAGEMENT DISCUSSION AND ANALYSIS

The mission of Saskatchewan Government Growth Fund Management Corporation ("SGGF Management Corporation") is to participate in the federal government's Immigrant Investor Program ("IIP") for the purpose of acquiring relatively low cost capital for investment in the Saskatchewan economy on commercial terms. Investment of this capital creates economic wealth and diversification, while also ensuring a return of capital and nominal investment income to the immigrant investor.

The ability of SGGF Management Corporation to raise additional funds under the IIP ended on March 31, 1999 when a new federal program was launched and SGGF Management Corporation declined to participate. The capital currently under management and from the three funds launched in 1999 will require administration for at least the next six years.



TOTAL SALES LEVEL OF INVESTEES

SGGF Management Corporation manages eight government-administered venture capital funds under the old IIP. Specifically:

Saskatchewan Government Growth Fund Ltd. ("SGGF I");
Saskatchewan Government Growth Fund II Ltd. ("SGGF II");
Saskatchewan Government Growth Fund III Ltd. ("SGGF III");
Saskatchewan Government Growth Fund IV Ltd. ("SGGF IV");
Saskatchewan Government Growth Fund V (1997) Ltd. ("SGGF V");
Saskatchewan Government Growth Fund VI Ltd. ("SGGF VI");
Saskatchewan Government Growth Fund VII Ltd. ("SGGF VII"); and
Saskatchewan Government Growth Fund VIII Ltd. ("SGGF VIII").

Since 1989, SGGF Management Corporation has raised, through its fund companies, more than $266 million of immigrant investor capital for investment in Saskatchewan small and medium-sized enterprises. To the end of 2000 over $195 million of this capital has been invested.

Effective October 1, 2000, substantially all of the administration and investment advisory services previously provided by SGGF Management Corporation to its fund companies were contracted out to a fund manager. Each fund company is managed as a distinct entity and the fund manager is paid a monthly fee for its services. The manager will also receive a share of the net profits, if any, of a fund after all liabilities, including investor obligations, of the fund have been paid.

The operating revenues of SGGF Management Corporation are based on the expenditure levels of the corporation, as ongoing management expenses are charged to the fund companies at a modest mark

Big Sky Farms Inc.

Biostar Inc.

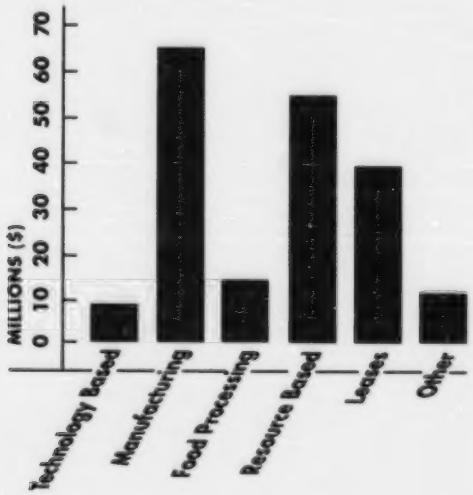
Clearwater Forest Products Inc.

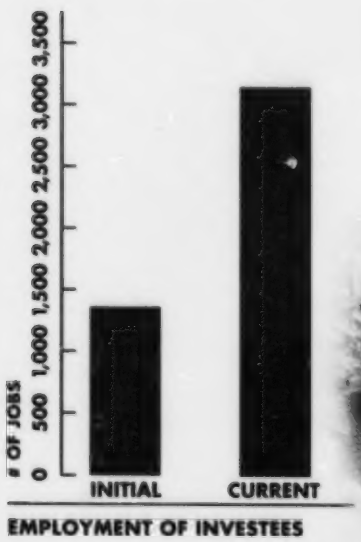
Dutch Industries Ltd.

up. Ignoring the effect of the consolidation of SGGF I, revenues of $2.4 million in 2000 are up from the $1.7 million earned in 1999.

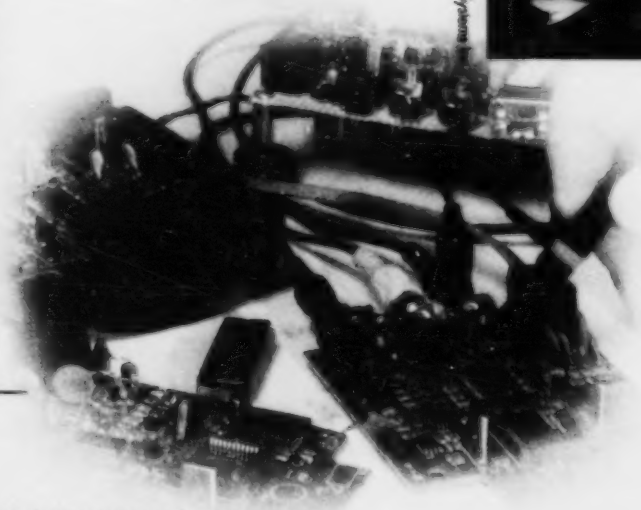
Since all of SGGF I's investors have been redeemed and SGGF Management Corporation is now able to share in the risks and rewards of ownership of SGGF I, SGGF I's results have been consolidated with those of SGGF Management Corporation in these financial statements.

DISBURSED BY INDUSTRY





EMPLOYMENT OF INVESTEES



FarmGro Organic Foods Inc.
Prairie Plant Systems Inc.
Prairie Sulphate Corporation
TriNexus Holdings Ltd.
Upton Resources Inc.
Pelorus Navigation Systems

Fund Company Highlights

Since SGGF I redeemed the last of its investors in 1998, the focus of the fund has been on liquidating its investments when opportunities arise. No significant divestments were made during the year and two investments were written off at a cost of $11.4 million.

In SGGF II, full repayment of obligations at maturity continued through July. In August delays in liquidating investments impacted SGGF II's ability to continue full repayment in full at maturity. Furthermore, in December a planned divestment did not materialize and this forced the fund to suspend future repayments until alternate sources of cash can be obtained. One $3.0 million debt investment was repaid during the year and three investments were written off at a cost of $5.1 million.

At December 31, 2000 a total of 110 Notes remain outstanding in SGGF III with five Notes being repaid in full at maturity during the year. Scheduled repayments are $5.5 million in 2001, $16.3 million in 2002, $5.5 million in 2003 and $0.3 million in 2004. The total investment portfolio stands at $20.9 million with investments in 12 companies. Cumulative investment totals $26 million, including amounts reinvested after repayment and divestment. One investment was written off during the year at a cost of $307,000.

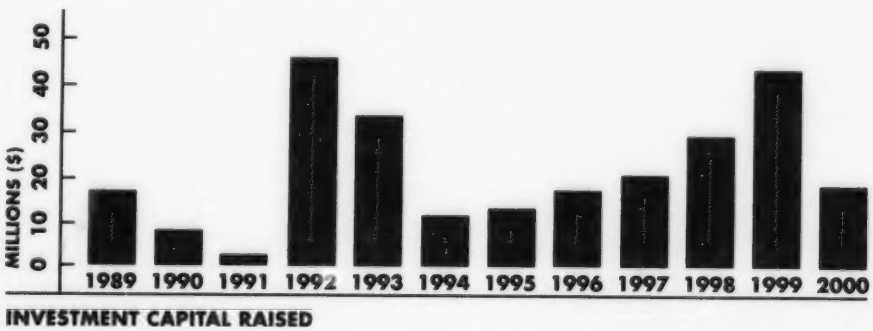
SGGF IV has invested a cumulative total of $28.7 million in 11 businesses with $20.6 million outstanding at December 31, 2000. Investments totalling $7.0 million were made in five Saskatchewan businesses during the year. To the end of 2000 SGGF IV had issued its full complement of 133 Notes representing $33.3 million of investor capital.

The fifth fund, SGGF V, has been able to attract 109 full subscriptions with a further 22 depositors yet to complete their subscription requirements. One hundred and two Notes, representing $25.5 million of capital, have been issued to December 31, 2000. Total investments worth $12.1 million were made during the year in five Saskatchewan businesses.

The newest funds, SGGF VI, SGGF VII and SGGF VIII, launched in 1999, are focussed on collecting the full subscription amount from each of their subscribers and the early stages of the investment process. Full subscriptions to December 31 totalled 70 in SGGF VI, 63 in SGGF VIII and 34 in SGGF VIII. In order to compete with the other provincial immigrant investor funds, these funds offer leveraged financing options to investors similar to other provinces.

To December 31, 2000, the total accumulated surplus of all fund companies is $3.9 million. Five of the eight fund companies were able to show a profit in 2000. The three others recorded a loss due to provisions for losses on investments held in their portfolios. Realized losses on investments were experienced by each of SGGF I, SGGF II and SGGF III. Equity positions in two companies common to both SGGF I and SGGF II were written off and an equity position in a company common to both SGGF II and SGGF III was written off.

As each fund begins the redemption process, an extensive cash flow monitoring exercise is performed in order to identify any investment liquidation issues that will impact upon the timing or amount of repayment of investor obligations at maturity. The timing of repayment may be affected by delays experienced in liquidating investments while the amount of repayment can be affected by the value received on liquidation. Full repayment at maturity would continue until it is determined that



INVESTMENT CAPITAL RAISED

Dutch Industries Ltd.

Clearwater Forest Products Inc.

repayment will be delayed or repayment cannot be made. Thereafter, all remaining investors must be treated equally and partial payments would be made from available cash flow.

Outlook for 2001

SGGF I will continue to work towards liquidation of its remaining investments at values in excess of cost. The priority for SGGF II will be liquidation of its remaining investments for as great a value as possible in order to maximize payments to remaining investors. SGGF III will begin divestment of its portfolio in order to provide the cash for continued investor repayments. SGGF IV will focus on monitoring the performance of its investments. The objectives for SGGF V will be to find suitable investments to round out its investment portfolio and attract full subscription amounts from remaining subscribers. The newest funds, SGGF VI, SGGF VII and SGGF VIII, will be focussed on attracting full subscription amounts from the remaining depositors and beginning investment of the capital raised to date.

Summary of Financial Position

As at December 31, 2000

	Cash and Cash Equivalents	Investments	Other Assets	Total Assets	Liabilities	Fund Balance
SGGF I	$ 744,916	$ 4,582,194	$ 2,022,243	$ 7,349,353	$ 803,495	$ 6,545,858
SGGF II	783,778	6,179,393	662,607	7,625,778	13,408,051	(5,782,273)
SGGF III	8,456,369	17,816,741	694,820	26,967,930	27,783,984	(816,054)
SGGF IV	12,323,114	21,380,716	2,177,901	35,881,731	34,058,648	1,823,083
SGGF V	12,331,003	15,557,192	2,076,661	29,964,856	28,705,631	1,259,225
SGGF VI	18,404,423	-	1,313,186	19,717,609	19,228,042	489,567
SGGF VII	15,677,785	-	1,217,286	16,895,071	16,564,230	330,841
SGGF VIII	9,094,087	-	622,130	9,716,217	9,625,265	90,952
Total	$ 77,815,475	$ 65,516,236	$ 10,786,834	$ 154,118,545	$ 150,177,346	$ 3,941,199

Summary of Results of Operations

For the Year Ending December 31, 2000

	Revenues	Administrative Expenses	Financial Expenses	Total Expenses	Income from Operations	Provision for Investment Losses	Net Earnings/(Loss)
SGGF I	$ 565,747	$ 354,836	$ -	$ 354,836	$ 210,911	$ 8,733,517	$ (8,522,606)
SGGF II	1,568,958	(32,147)	517,552	485,405	1,083,553	5,945,924	(4,862,371)
SGGF III	3,287,868	391,440	2,564,198	2,955,638	332,230	620,537	(288,307)
SGGF IV	4,700,506	838,973	3,187,503	4,026,476	674,030	(38,771)	712,801
SGGF V	1,901,788	641,446	845,330	1,486,776	415,012	-	415,012
SGGF VI	879,142	272,066	372,813	644,879	234,263	-	234,263
SGGF VII	757,041	219,511	337,698	557,209	199,832	-	199,832
SGGF VIII	321,771	110,958	121,778	232,736	89,035	-	89,035
Total	$ 13,982,821	$ 2,797,083	$ 7,946,872	$ 10,743,955	$ 3,238,866	$ 15,261,207	$ (12,022,341)

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The accompanying consolidated financial statements of the Saskatchewan Government Growth Fund Management Corporation have been prepared by management in accordance with Canadian generally accepted accounting principles, and necessarily include some amounts based on informed judgement and management estimates. Financial data presented elsewhere in this annual report is consistent with that in the financial statements.

As appointed by the Lieutenant Governor in Council and approved by Crown Investments Corporation of Saskatchewan, the corporation's independent auditor, Deloitte & Touche, have examined the consolidated financial statements of the corporation. The scope of their examination and their opinion on whether these consolidated financial statements present fairly the corporation's financial position and operating results are given in the Auditors' Report.

Ensuring the integrity and objectivity of financial information is an integral part of management's responsibility to the ongoing operation. Management maintains an appropriate system of internal accounting and administrative controls, policies and procedures to provide reasonable assurance that all financial information is relevant, reliable and accurate and that all transactions are authorized, assets are safeguarded and proper records are maintained.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and ultimately responsible for reviewing and approving these consolidated financial statements.

On behalf of management,

Gary K. Benson
Crown Capital Partners Inc.

Mike Merth, CA, CMA
Crown Capital Partners Inc.

Upton Resources Inc.

Biostar Inc.

AUDITORS' REPORT

To the Members of the Legislative Assembly,
Province of Saskatchewan:

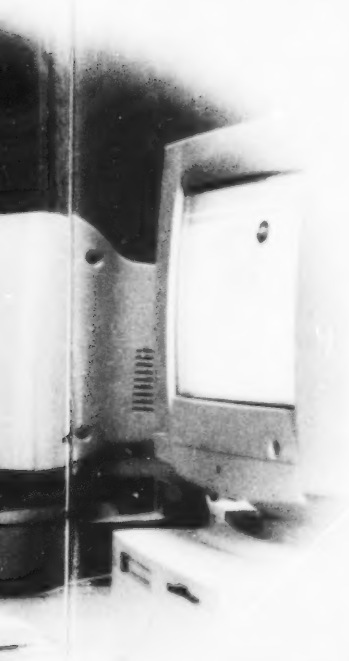
We have audited the Consolidated Statement of Financial Position of Saskatchewan Government Growth Fund Management Corporation as at December 31, 2000, and the Consolidated Statement of Operations and Retained Earnings and Consolidated Statement of Cash Flows for the year then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the company as at December 31, 2000 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants
February 27, 2001



FarmGro Organic Foods Inc. Master Manufacturing Prairie Plant Systems Inc. Prairie Sulphate Corporation Big Sky Farms Inc.

FINANCIAL STATEMENTS

Saskatchewan Government Growth Fund Management Corporation

Consolidated Statement of Financial Position
As at December 31

	2000	1999
Assets		
Cash and cash equivalents (Note 3)	$ 865,526	$ 3,990,259
Accounts receivable	237,906	159,320
Note receivable (Note 4)	2,000,000	-
Investments (Note 5)	4,582,194	11,944,685
Investments in fund companies (Note 6)	8,000	8,000
Capital assets (Note 7)	16,836	83,063
	$ 7,710,462	**$ 16,185,327**
Liabilities		
Accounts payable and accrued liabilities (Note 8)	$ 809,088	$ 750,338
Commissions payable	58,050	78,750
	867,138	**829,088**
Province of Saskatchewan's Equity		
Equity advances (Note 9)	1,031	1,031
Retained earnings	6,842,293	15,355,208
	6,843,324	**15,356,239**
	$ 7,710,462	**$ 16,185,327**

See accompanying notes to financial statements

On behalf of the Board:

Director

Director

Pelorus Navigation Systems Inc.

Prairie Plant Systems Inc.

Saskatchewan Government Growth Fund Management Corporation

Consolidated Statement of Operations and Retained Earnings
For the Year Ended December 31

	2000	1999
Revenues		
Management fees (Note 15)	$ 2,121,002	$ 1,566,622
Investment income	392,650	761,895
Interest and other income	192,193	221,357
	2,705,845	**2,549,874**
Expenses		
Investment advisor fees (Note 12)	199,660	(422,899)
Fund manager fees (Note 13)	881,409	-
Salaries and benefits	567,048	585,293
General administration	192,878	239,437
Legal fees	341,132	216,785
Professional fees	151,280	139,532
Directors' fees and expenses	123,753	107,257
Amortization of capital assets	28,083	31,956
	2,485,243	**897,361**
Income before investment losses	220,602	1,652,513
Provision for investment losses	8,182,883	2,850,840
Allowance for unrealized losses	550,634	(20,382)
Net loss	**(8,512,915)**	**(1,177,945)**
Retained earnings, beginning of year	15,355,208	16,533,153
Retained earnings, end of year	**$ 6,842,293**	**$ 15,355,208**

See accompanying notes to financial statements

Points North Digital Technologies Inc.
TriNexus Holdings Ltd.
John Nelson Construction Ltd.
Clearwater Forest Products Inc.
FarmGro Organic Foods Inc.

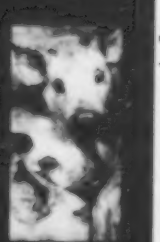
Saskatchewan Government Growth Fund Management Corporation

Consolidated Statement of Cash Flows
For the Year Ended December 31

	2000	1999
Cash flows from operating activities		
Net loss	$ (8,512,915)	$ (1,177,945)
Adjustments for:		
Amortization of capital assets	28,083	31,956
Provision for investment losses	8,182,883	2,850,840
Allowance for unrealized losses	550,634	(20,382)
Gain on sale of capital assets	(10,995)	-
Net change in non-cash balances related to operations (Note 14)	(40,536)	(722,963)
Cash flows from operating activities	**197,154**	**961,506**
Cash flows from financing activities		
Repayment of subscriptions	-	(375,000)
Repayment of cash advance	-	(49,716)
Cash flows from financing activities	**-**	**(424,716)**
Cash flows from investing activities		
Investment in fund companies	-	(3,000)
Disbursements on investments	(2,564,973)	(1,215,160)
Repayments from investments	1,193,947	1,388,358
Note receivable from SGGF II Ltd.	(2,000,000)	-
Sale of capital assets	74,060	-
Purchase of capital assets	(24,921)	(40,024)
Cash flows from investing activities	**(3,321,887)**	**130,174**
Net (decrease) increase in cash	**(3,124,733)**	**666,964**
Cash and cash equivalents, beginning of year	3,990,259	3,323,295
Cash and cash equivalents, end of year	**$ 865,526**	**$ 3,990,259**
Interest paid during the year	$ 32,863	$ 28,820

See accompanying notes to financial statements

Dutch Industries Ltd



Big Sky Farms Inc.

Prairie Sulphate Corporation

Bioator Inc.

Upton Resources Inc.

John Nelson Construction Ltd.

Points North Digital Technologies Inc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Status of the corporation

Saskatchewan Government Growth Fund Management Corporation ("SGGF Management Corporation") has been established for the purpose of creating and managing fund companies that have been accepted as government administered venture capital funds under the federal government's Immigrant Investor Program. Order-in-Council #660/1998 establishes that the provisions of The Crown Corporations Act, 1993 apply. Accordingly, the financial results of SGGF Management Corporation are included in the consolidated financial statements of Crown Investments Corporation of Saskatchewan ("CIC").

These consolidated results include the investment activities of SGGF Management Corporation's subsidiary, Saskatchewan Government Growth Fund Ltd. ("SGGF I").

SGGF Management Corporation is a provincially owned Crown corporation and therefore is not subject to federal or provincial income taxes.

2. Significant accounting policies

The accompanying financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The following are considered significant:

Consolidation

The consolidated financial statements include the accounts of SGGF Management Corporation and its subsidiary, SGGF I. All intercompany transactions and balances have been eliminated. See Note 11 for additional information.

Investments

Investments include debt and equity investments in private and public companies. Investments, other than publicly traded shares, are carried at cost. Income from equity investments is recognized when received and income from debt investments is recognized as earned. The fair value of investments in private companies is not determinable and therefore has not been disclosed.

Investments in shares having quoted market values, and which are traded on a recognized exchange, are recorded at the lower of cost and average closing market price for the last 20 business days of the year, on an individual basis. Unrealized losses in the value of investments in publicly traded shares are recorded in the Consolidated Statement of Operations and Retained Earnings, in the allowance for unrealized losses.

Investments are reviewed on a regular basis. Where impairment is identified, the exposure is compared to the estimated net realizable value of the security and, if appropriate, a provision established. An investment is considered impaired when there is no longer reasonable assurance of the timely collection of the full amount of principal and income. Income is not accrued for accounting purposes on impaired investments.

There is a clearly demonstrated intention to dispose of the investments in due course. Accordingly, investee companies over which SGGF I has significant influence are not consolidated.

Investments in fund companies

As at December 31, SGGF Management Corporation owns 100% of the Class A common shares of seven companies, collectively known as "the funds":

Saskatchewan Government Growth Fund II Ltd. ("SGGF II");
Saskatchewan Government Growth Fund III Ltd. ("SGGF III");
Saskatchewan Government Growth Fund IV Ltd. ("SGGF IV");
Saskatchewan Government Growth Fund V (1997) Ltd. ("SGGF V");
Saskatchewan Government Growth Fund VI Ltd. ("SGGF VI");
Saskatchewan Government Growth Fund VII Ltd. ("SGGF VII"); and
Saskatchewan Government Growth Fund VIII Ltd. ("SGGF VIII").

SGGF Management Corporation does not guarantee the performance of the funds nor does it share in the risks of ownership until all investor obligations have been satisfied. Investments in the funds are recorded at cost. Readers should refer to the audited financial statements of the funds for further information on their financial position and operating results.

Capital assets

Capital assets are recorded at cost. When capital assets are disposed of or retired, the related costs and accumulated amortization are eliminated from the accounts. Any resulting gains or losses are reflected in the Consolidated Statement of Operations and Retained Earnings.

Capital assets are amortized over their estimated useful lives on a straight-line basis.

3. Cash and cash equivalents

Included in cash and cash equivalents is a Bankers' Acceptance totalling $620,156 (1999 – $1,978,180) that matures February 1, 2001 and carries an interest rate of 5.70%.

4. Note receivable

Included in note receivable is a $2,000,000 note from SGGF II due August 31, 2001 and bearing an interest rate of 10%.

5. Investments

	2000	1999
Debt	$ 5,057,509	$ 3,616,987
Equity	3,789,275	15,288,837
Provision for investment losses	(3,660,342)	(3,923,499)
Allowance for unrealized losses	(604,248)	(3,037,640)
	$ 4,582,194	$ 11,944,685

Included in investments are $8,032,213 (1999 – $12,387,983) of impaired investments, net of accumulated provision for losses of $3,660,342 (1999 – $3,923,499), upon which income is not accrued. During the year $11,430,066 (1999 – $1,149,635) of investments and costs have been written off.

Equity investments include publicly traded shares at a cost of $693,906 (1999 – $3,751,299), with an aggregate market value of $89,658 (1999 – $713,650).

During the year investments decreased as follows:

	2000	1999
Balance, beginning of year	$ 11,944,685	$ 14,948,341
New investments	2,564,973	1,215,160
Repayments	(1,193,947)	(1,388,358)
Investments & costs written off	(11,430,066)	(1,149,635)
Net change in provision for investment losses	263,157	(1,701,205)
Net change in allowance for unrealized losses	2,433,392	20,382
Balance, end of year	$ 4,582,194	$ 11,944,685

Clearwater Forest Products Inc.

FarmGro Organic Foods Inc.

6. Investments in fund companies

Shares, at cost:	2000	1999
SCGF II	$ 1,000	$ 1,000
SCGF III	2,000	2,000
SCGF IV	1,000	1,000
SCGF V	1,000	1,000
SCGF VI	1,000	1,000
SCGF VII	1,000	1,000
SCGF VIII	1,000	1,000
	$ 8,000	$ 8,000

7. Capital assets

		2000			
	Rate	Cost	Accumulated Amortization	2000 Net Book Value	1999 Net Book Value
Furniture and office equipment	14.29%	$ 26,746	$ 9,910	$ 16,836	$ 42,729
Computer and cellular equipment	25.00%	-	-	-	40,334
		$ 26,746	$ 9,910	$ 16,836	$ 83,063

8. Accounts payable and accrued liabilities

Included in accrued liabilities is a $625,000 (1999 – $625,000) provision for future fees payable to an investment advisor under the terms of its investment services agreement with SCGF I. This amount is payable to the investment advisor pending resolution of a contingency associated with a divestment. Interest earned on this amount is paid to the investment advisor.

Included in accrued liabilities is a $100,000 (1999 – $nil) provision for future fees payable to the fund manager under the terms of its management services agreement with SCGF I. This amount is based on the performance of certain investments and the retained earnings of SCGF I. It is payable to the fund manager only upon satisfaction of all liabilities of the fund.

9. Equity advances

SCGF Management Corporation does not have share capital. However, SCGF Management Corporation has received advances from CIC to form its equity capitalization. The advances are an equity investment in SCGF Management Corporation by CIC.

10. Financial instruments

SCGF I's primary business is the investment of funds in new and expanding Saskatchewan businesses. This entails exposure to market risk, credit risk, interest rate risk and liquidity risk.

Market Risk

Market risk faced by SCGF I is the risk that the fair value of its investments may decline due to a reduction in the anticipated earnings generated by the businesses in which SCGF I invests. Some of the companies in which SCGF I invests are dependent upon a single product or industry. SCGF I manages these risks through careful due diligence prior to committing funds to the investment and ensuring that the overall portfolio is properly diversified across various industry sectors.

Credit Risk

Credit risk arises from the potential that an investee will fail to perform its obligations. Concentration of credit exposure may arise given that SCGF I restricts investments to businesses operating in Saskatchewan and therefore all investments are subject to similar economic conditions. The ability of such companies to meet contractual obligations would be similarly affected by changing economic, political or other conditions. SCGF I conducts a thorough due diligence process prior to committing to the investment and actively monitors the financial health of its companies on an on-going basis. In addition, some companies operate in and export to other provinces or international markets thereby mitigating this risk.

Interest Rate Risk

Interest rate risk reflects the risk that SCGF I's earnings will decline due to fluctuations in interest rates. SCGF I manages this risk through careful monitoring and matching the duration of its short-term deposits and investments with its liabilities.

Liquidity Risk

Liquidity risk is the risk that SCGF I will encounter difficulty in liquidating its investments at an amount close to fair value. Since the last of the investors in SCGF I have been redeemed there is no immediate need to liquidate the remaining investments. SCGF I intends to hold these investments until it is able to liquidate them at an amount close to fair value.

Measurement Uncertainty

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make certain estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may vary from the current estimates. These estimates are reviewed quarterly and, as adjustments become necessary, they are reported in the Consolidated Statement of Operations and Retained Earnings in the period in which they become known.

Fair Value – Investments

There is no active secondary market for many of the investments in which SCGF I invests, and the uncertainty and potentially broad range of outcomes pertaining to the future cash flows from these investments renders the calculation of a fair value with appropriate reliability impractical. The factors that impact the fair value are described above.

11. Consolidation of SCGF I

The results of SCGF I have been consolidated and accounted for using the purchase method. Summarized financial statements of SCGF I are as follows:

	2000	1999
Statement of Financial Position		
Cash and cash equivalents	$ 744,916	$ 3,874,573
Investments	4,582,194	11,944,685
Other assets	2,022,243	8,389
	$ 7,349,353	$ 15,827,647
Liabilities	$ 803,495	$ 759,183
Equity	6,545,858	15,068,464
	$ 7,349,353	$ 15,827,647

Statement of Operations

Revenues	$ 565,747	$ 975,103
Expenses	354,836	(535,155)
Investment losses	8,733,517	2,830,458
Net loss	$ (8,522,606)	$ (1,320,200)

12. Investment advisor fees

Included in investment advisor fees is a $nil (1999 – $708,700) recovery of fees payable to an investment advisor upon termination of its investment services agreement with SGGF I.

13. Fund manager fees

Included in fund manager fees is a $100,000 (1999 – $nil) provision for future fees payable to the fund manager under the terms of its management services agreement with SGGF I. This amount is based on the performance of certain investments and the retained earnings of SGGF I. It is payable to the fund manager only upon satisfaction of all liabilities of the fund.

14. Net change in non-cash balances related to operations

	2000	1999
Accounts receivable and accrued income	$ (78,586)	$ 80,050
Accounts payable and accrued liabilities	58,750	(803,013)
Commissions payable	(20,700)	-
	$ (40,536)	$ (722,963)

15. Related party transactions

Included in these financial statements are transactions with the funds, various Saskatchewan Crown corporations, departments, agencies, boards and commissions related to SGGF Management Corporation by virtue of common control by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control and significant influence by the Government of Saskatchewan (collectively referred to as "related parties").

Routine operating transactions with related parties are settled at prevailing market prices under normal trade terms.

As stated in Note 4, SGGF I holds a note receivable from SGGF II. Total interest received and receivable from SGGF II during the year was $53,005.

Under the terms of ten year Management Agreements between SGGF Management Corporation and the funds, SGGF Management Corporation administers the assets of the funds. The Agreements expire in the following years:

SGGF II	2003
SGGF III and IV	2004
SGGF V	2008
SGGF VI, VII and VIII	2009

SCGF Management Corporation is engaged to provide substantially all of the management services required by the funds. SCGF Management Corporation uses the assistance of various investment advisors and, beginning October 1, 2000, a fund manager to perform fund administration and due diligence, monitoring and liquidation of investments. All services provided to the funds are charged on a fee for service basis. Total fees received or receivable from the funds during the year amounted to $2,121,002 (1999 – $1,566,622).

Other transactions with related parties are disclosed separately in the financial statements and notes thereto.

16. Comparative figures

Certain figures have been reclassified to conform to the current years' presentation.

Clearwater Forest Products Inc.

Peterus Navigation Systems Inc.

Prairie Plant Systems Inc.

Prairie Sulphate Corporation

Big Sky Farms Inc.

Upton Resources Inc.

Bioster Inc.

SASKATCHEWAN GOVERNMENT GROWTH FUND MANAGEMENT CORPORATION

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Wilson Olive, Chair
Larry Spannier, Vice-Chair
Paul Boothe

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Saskatchewan Government Growth Fund II Ltd.
Saskatchewan Government Growth Fund III Ltd.
Saskatchewan Government Growth Fund IV Ltd.
Saskatchewan Government Growth Fund V (1997) Ltd.
Saskatchewan Government Growth Fund VI Ltd.
Saskatchewan Government Growth Fund VII Ltd.
Saskatchewan Government Growth Fund VIII Ltd.

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MacPherson Leslie & Tyerman
Barristers and Solicitors
Suite 1500 – 1874 Scarth Street
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Points North Digital Technologies Inc. TriNexus Holdings Ltd.

John Nelson Construction Ltd.

Clearwater Forest Products Inc.

FarmGro Organic Foods Inc.

Master Manufacturing

Prairie Plant Systems Inc.

FUND MANAGEMENT CORPORATION